

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Before Commissioners:

Ruth Y. Goldway, Chairman;  
Mark Acton, Vice Chairman; and  
Robert G. Taub

Competitive Product Prices  
International Business Reply Service Competitive  
Contract 3 (MC2011-21)  
Negotiated Service Agreements

Docket No. CP2013-58

ORDER APPROVING CHANGE IN PRICES UNDER FUNCTIONALLY EQUIVALENT  
INTERNATIONAL BUSINESS REPLY SERVICE COMPETITIVE CONTRACT 3  
NEGOTIATED SERVICE AGREEMENT

(Issued October 27, 2014)

I. INTRODUCTION

The Postal Service has established contingency prices pursuant to an existing, albeit expired, International Business Reply Service Competitive Contract 3 (IBRS 3) negotiated service agreement (Agreement).<sup>1</sup> For the reasons discussed below, the Commission approves the contingency prices.

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<sup>1</sup> Notice of United States Postal Service of Prices Under Functionally Equivalent International Business Reply Service Competitive Contract 3 Negotiated Service Agreement, October 15, 2014 (Notice).

In Order No. 1701, the Commission approved the IBRS 3 negotiated service agreement that is the subject of this docket.<sup>2</sup> The Agreement expired on April 30, 2014. Notice at 2. On October 15, 2014, the Postal Service filed notice that it has established contingency prices pursuant to the Agreement.<sup>3</sup> On October 16, 2014, the Commission issued an order reopening this docket to consider the contingency prices, appointing a Public Representative, and providing interested persons with an opportunity to comment.<sup>4</sup>

The Postal Service intends for the change in prices to take effect on November 1, 2014 and continue indefinitely. Notice at 3.

The Postal Service filed supporting financial documentation and a certified statement, as required by 39 C.F.R. § 3015.5. *Id.* The Postal Service also requested that the Commission include the contingency pricing arrangement within the IBRS 3 designation on the competitive product list due to its functional equivalence to the IBRS 3 baseline agreement.<sup>5</sup>

## II. COMMENTS

Comments were filed by the Public Representative.<sup>6</sup> No other interested person submitted comments.

Based upon a review of the baseline agreement, the predecessor negotiated contract, and the supporting financial model filed under seal, the Public Representative

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<sup>2</sup> Order Approving New International Business Reply Service Competitive Contract 3 Agreement, April 16, 2013 (Order No. 1701).

<sup>3</sup> See *generally, id.* Attachment 1 (contingency pricing arrangement).

<sup>4</sup> Notice and Order Concerning Change in Prices Under International Business Reply Service Competitive Contract 3 Negotiated Service Agreement, October 16, 2014 (Order No. 2215).

<sup>5</sup> *Id.* at 2-3. See also Docket Nos. MC2011-21 and CP2011-59, Order Approving International Business Reply Service Competitive Contract 3 Negotiated Service Agreement, February 28, 2011 (Order No. 684).

<sup>6</sup> Public Representative Comments on Postal Service Notice of Change in Prices Under International Business Reply Service Competitive Contract 3 Negotiated Service Agreement, October 21, 2014 (PR Comments).

concludes that the contingency pricing arrangement is functionally equivalent to the IBRS 3 baseline agreement and that the contingency pricing arrangement should generate sufficient revenues to cover costs and satisfy the requirements of 39 U.S.C. § 3633. PR Comments at 2.

### III. COMMISSION ANALYSIS

The Commission's responsibilities in this case are to ensure that the contingency pricing arrangement: (1) is functionally equivalent to the baseline agreement established for the IBRS 3 product; and (2) satisfies the requirements of 39 U.S.C. § 3633 and applicable Commission rules (39 C.F.R. §§ 3015.5 and 3015.7).

*Functional equivalence.* In Order No. 684, the Commission approved the addition of IBRS 3 to the competitive product list and designated an agreement as the baseline for assessing the functional equivalence of agreements proposed for inclusion within the IBRS 3 product. See Order No. 684.

The Postal Service asserts that the contingency pricing arrangement is essentially identical to those envisioned in the baseline agreement. Notice at 4. The Postal Service also asserts that the nature of the IBRS service provided in the contingency pricing arrangement, and in the baseline agreement, are essentially the same and that the contingency pricing arrangement possesses similar market characteristics to other IBRS 3 agreements. *Id.*

The Commission has already determined that the IBRS 3 negotiated service agreement authorizing the contingency pricing agreement that is the subject of this Order is functionally equivalent to the baseline agreement. See Order No. 1701. No information was presented in the instant docket that alters the Commission's conclusion in Order No. 1701. Therefore, the Commission finds that the contingency pricing arrangement, as authorized by the Agreement, is functionally equivalent to the baseline

agreement and may be included within the IBRS 3 product. Conforming revisions to the Mail Classification Schedule (MCS) appear below the signature of this Order.<sup>7</sup>

*Cost considerations.* The Commission reviews competitive product prices to ensure that they meet the applicable requirements of 39 U.S.C. § 3633(a) and 39 C.F.R. § 3015.7.

The supporting revenue and cost data show that the contingency prices established by the Postal Service should cover costs for the remaining postal items subject to the Agreement. The Commission will continue to review the cost coverage of the Agreement in its Annual Compliance Determination to ensure that the contingency prices cover costs.

*Other considerations.* The Postal Service states that the contingency prices will take effect November 1, 2014. Notice at 3. The contingency prices will remain in effect indefinitely, unless the Postal Service chooses to modify the rates and provide 30 days' notice to the customer. *Id.* Attachment 1 at 1. If the Postal Service changes the contingency prices, it shall promptly notify the Commission.

#### IV. ORDERING PARAGRAPHS

*It is ordered:*

1. The Commission approves the contingency prices established pursuant to the International Business Reply Service Competitive Contract 3 negotiated service agreement that is the subject of this docket.
2. The Postal Service shall promptly notify the Commission if it changes the contingency prices approved in this Order.

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<sup>7</sup> The Commission previously considered a similar Postal Service filing in Docket No. CP2012-59. See Docket No. CP2012-59, Order Approving Change in Prices Under International Business Reply Service Competitive Contract 3 Negotiated Service Agreement and Providing Additional Guidance on Contingency Pricing Arrangement, March 31, 2014 (Order No. 2037). In Order No. 2037, the Commission set forth conforming revisions to the MCS for contingency pricing arrangements established under IBRS 3 negotiated service agreements. *Id.* at 5-6.

3. Revisions to the Mail Classification Schedule consistent with this Order appear below the signature of this Order and are effective immediately.

By the Commission.

Shoshana M. Grove  
Secretary

## CHANGES TO THE MAIL CLASSIFICATION SCHEDULE

The following material represents a change to the Mail Classification Schedule. The Commission uses two main conventions when making changes to the Mail Classification Schedule. New text is underlined. Deleted text is struck through.

**PART B—COMPETITIVE PRODUCT LIST**

2500               Negotiated Service Agreements

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2515               Inbound International

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2515.3           International Business Reply Service (IBRS) Competitive Contracts

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2515.3.5        Products Included in Group (Agreements)

Each product is followed by a list of agreements included within that product.

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- International Business Reply Service Competitive Contract 3

*Baseline Reference*

Docket Nos. MC2011-21, CP2011-59

PRC Order No. 684

*Included Agreements*

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CP2013-58 (contingency pricing arrangement), expires TBD April 24,  
2014

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